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Administrative and budgetary issues

Update of the Executive Director on the challenges of management of multiple trust funds and proposal of steps to be taken to reduce the administrative burden of maintaining those trust funds, pursuant to Environment Assembly resolution 2/23 on the management of trust funds and earmarked contributions

Summary

In its resolution 2/23, the United Nations Environment Assembly of the United Nations Environment Programme (Environment Programme) requested the Executive Director of the Environment Programme to prepare a report highlighting the challenges of managing multiple trust funds and to propose steps that could be taken to reduce the administrative burden of maintaining such trust funds. On 17 October 2017, the secretariat presented to the subcommittee of the Committee of Permanent Representatives to the Environment Programme, at its annual meeting, a note on Environment Programme trust funds and their management. The note provided a background and the basis on which the Executive Director seeks approval by the Environment Assembly of the establishment, extension, renaming and merging of the trust funds administered by the Environment Programme, including those established under the multilateral environmental agreements.

The establishment and management of trust funds are governed in accordance with the Financial Regulations and Rules of the United Nations and any other policies promulgated by the Secretary General of the United Nations. That authority is delegated by the Secretary General to the Executive Director. In its decision 19/25 of 7 February 1997, the Governing Council of the Environment Programme required that within that framework, trust funds may be established by the Executive Director with the approval of the Governing Council (now the United Nations Environment Assembly) for specified purposes consistent with the policies, aims and activities of the fund.

The present report is an update to document UNEP/EA.1/8, issued on 12 April 2014, which provided an overview of the various types of trusts funds administered by the Environment Programme, including associated challenges and recommendations aimed at improving the management of those trust funds following the implementation of the enterprise resource planning project, Umoja, in 2015. A list of the Environment Programme trust funds and inactive trust funds is set out in the annexes to the present document, without formal editing.

* UNEP/EA.3/1.

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A. Trust funds

1. A trust fund is a United Nations Environment Programme modality that is normally established to receive all types of donor contributions in support of either broad themes or earmarked activities, projects or programmes. A trust fund enables the preparation of a full set of financial statements, including revenue, expense and all balance sheet items related to the contributions channelled through the trust fund.

2. Trust funds are established and managed as either single-donor trust funds or multi-donor trust funds. The primary multi-donor trust fund is the Environment Fund. Single-donor trust funds are operated for contributions that are earmarked by their donors for specific projects or programmes. The contributions held in such trust funds are monitored separately, which is often a requirement by donors to be reassured that funds are programmed for the purposes for which they were earmarked. The results accomplished can be tracked to a specific subset under the programme of work.

3. Multi-donor trust funds would have high start-up costs in the negotiation process and the development of procedures for fund management and governance, ensuring that the requirements of all donors are met. Harmonizing requirements of the donors contributing to a trust fund and unifying procedures between donors and other stakeholders are major obstacles to the speedy establishment and management of and reporting on a multi-donor trust fund. Such obstacles could be overcome by the acceptance of standardized agreement and reporting formats by donors. The lack of clear procedures agreed upon upfront for closing such trust funds may lead to a prolonged process of closure as all donors need to be consulted and agree on the process and treatment of balances. Single-donor trust funds are in that respect easier to establish and manage as the requirements of various donors do not need to be harmonized.

4. Multi-donor trust funds enhance effective collaboration in pursuit of shared objectives. The pooling of resources facilitates the mitigation of shared risks and increases visibility and transparency. Multi-donor trust funds can reduce transaction costs, therefore improving value for money used in the actual implementation of activities. With the implementation of the enterprise resource planning project, Umoja, the need to open many trust funds has decreased. However, the challenges of non-harmonized donor reporting requirements remain the single major challenge that leads to high transaction costs. In some cases, a single donor can request reports in different formats, depending on the source of financial resources, such as funds from different ministries or departments. Such a challenge can be overcome by the adoption by donors of standardized reports using eight harmonized categories of expense approved by the High-level Committee on Management.

B. Improvements in the management of trust funds

5. The Umoja grants management module has improved the tracking and reporting of voluntary contributions. It is now possible to track contributions from a donor without establishing a new trust fund.

6. The Environment Programme has also enforced cost recovery for trust funds established to manage voluntary contributions to avoid cross-subsidization from the regular budget of the United Nations, the Environment Fund or other trust funds, in line with the guidelines from the United Nations Controller.

7. Administrative actions have been taken as part of the implementation of the International Public Sector Accounting Standards and Umoja. Such actions included the review of all trust funds and projects and closure of those for which the administrative procedures required by the Financial Regulations and Rules of the United Nations had been completed.

8. The Environment Programme has committed financial and human resources for the clean-up of its financial records in close collaboration with the United Nations Office at Nairobi to close inactive projects and trust funds and dispose of balances in accordance with authorized processes.

C. Challenges of managing trust funds

9. Most of the contributions to trust funds are earmarked (strictly or loosely) for specific projects or programmes and have unique reporting requirements. While contributions in any form are desirable, earmarking constrains the flexibility of the secretariat in funding the programme of work. Special reporting requirements also call for additional resources.

10. Monitoring, coordinating and reporting on tightly earmarked funds are costly, time-intensive activities that usually require the use of complex financial management systems and processes.

11. Tight earmarking of contributions to specific projects or programmes sometimes leads to parts of the programme of work being over-funded at the expense of other priorities.

D. Closure of projects and trust funds

12. The Environment Programme has taken action to close trust funds when their activities have been completed operationally. Many trust funds, however, are left open owing to a lack of disposal instructions from donors on unused fund balances. In such circumstances, although the operational part of the activities has been completed, approval of extension of those trust funds is still sought pending conclusion of the disposal instructions, which could be either (a) to reprogramme the fund balance or (b) to return the fund balance to the respective donors.

13. The Environment Programme will enhance consultations with the secretariats of the Regional Seas programmes, conventions, protocols and special funds to undertake an intensive review of balances of their inactive trust funds and propose reprogramming of the balances to their governing bodies.

14. Annex II sets out the list of 21 inactive trust funds.

15. The Environment Programme will continue:

(a) To urge member States and other donors to support the use of trust fund models that are cost effective, flexible and most appropriate for the delivery of the programme of work of the Environment Programme;

(b) To engage member States and other donors to consider, to the extent possible, accepting consolidated financial and programme reports.

16. The Environment Programme will also take further steps to request member States to facilitate prompt disposal of unspent balances in order to allow the timely closure of projects and trust funds as applicable and, where possible, to allow balances to be used to support the universally agreed programme of work of the Environment Programme. The Environment Programme will report to the United Nations Environment Assembly at its fourth session on progress made in reducing the level of unspent balances.

Annex I

List of active trust funds

I. Trust funds in support of the programme of work of the United Nations Environment Programme

i) Environment Fund

(a) FEL - Environment Fund Support Budget

(b) FPL - Environment Fund Programme Activities

(c) RAL - Environment Fund Programme Reserve Activities

ii) Regular Budget

(a) UNA - United Nations General Fund

(b) ROA - Support to Development Activities

iii) Global Environment Fund (GEF)

(a) CCL - Technical Cooperation Trust Fund to for the management of UNEP/GEF special climate change fund programme

(b) FBL - Technical Cooperation Trust Fund for the Implementation of the Global Environment Facility Fee-Based System for Funding Projects Implementation

(c) GFL - Technical Cooperation Trust Fund for UNEP's Implementation of the Activities Funded by the Global Environment Facility

(d) LDL - Technical Cooperation Trust Fund for the Management of UNEP/GEF National Adaptation Programme of Action for Least Developed Countries (LDCs)

(e) NPL - Technical Cooperation Trust Fund for Nagoya Protocol Implementation Fund (NPIF)

iv) Green Climate Fund

(a) GCF - General Trust Fund to Support the Activities of the Green Climate Fund operating under the Accreditation Master Agreement (AMA).

(b) GCL - General Trust Fund to Support the Activities of the Green Climate Fund operating under the Framework Readiness and Preparatory (R&P) Support Grant Agreement.

v) Other Voluntary Contributions Trust Funds in Support the Programme of Work

(a) AEL - General trust fund for the purpose of post conflict environmental assessment

(b) AFB - Technical cooperation trust fund for UNEP activities as multilateral implementing entity of the Adaptation Fund Board

(c) AML - General trust fund for the African Ministerial Conference on the Environment (AMCEN)

(d) BPL - Technical cooperation trust fund for the implementation of the agreement with Belgium

(e) CFL - Technical cooperation trust fund for the implementation of the framework agreement on strategic cooperation between the Ministry of Environmental Protection of China and UNEP

(f) CLL - Trust fund to support the activities of the Climate Technology Centre and Network

(g) CML - Trust fund to support the implementation of the special programme for the sound management of chemicals and waste

(h) CNL - Technical cooperation trust fund for the UNEP climate neutral fund

(i) CPL - Counterpart contributions in support of Environment Fund activities

(j) DPL - Technical cooperation trust fund for the partnership agreement between the Government of the Netherlands and UNEP

(k) EAP - Multi-donor technical cooperation trust fund for the implementation of the African Elephant Action Plan,

(l) ECL - Technical Cooperation Trust Fund financed by the European Commission to support EC- UNEP cooperation on Strengthening International Environmental Governance under a 2011 Strategic Cooperation Agreement and the 2014 Programme Cooperation Agreement

(m) ESS - Technical cooperation trust fund for UNEP implementation of ecosystem-based adaptation

(n) ETL - Trust fund for the environmental training network in Latin America and the Caribbean

(o) EUL - Technical Cooperation Trust Fund financed by the European Commission to support EC- UNEP cooperation for developing countries in the area of climate change and the environment under a 2011 Strategic Cooperation Agreement

(p) FIL - General trust fund to support the activities of the UNEP financial services initiative on the environment

(q) FSL - Technical cooperation trust fund to support implementation of the Seed Capital Assistance Facility

(r) GPL - General trust fund in support of the implementation of the Global Programme of Action for the Protection of the Marine Environment from Land-based Activities (GPA), and related information exchange and technical assistance

(s) GRL - Technical cooperation trust fund for the implementation of the greening economies in the Eastern neighbourhood and Central Asia (EaP-GREEN) programme

(t) IAL - Technical cooperation trust fund for Ireland Aid multilateral environment fund for Africa

(u) IEL - Technical cooperation trust fund to improve the environment in the Democratic People's Republic of Korea

(v) IML - Technical cooperation trust fund for UNEP implementation of the Multilateral Fund activities

(w) JCL - Technical cooperation trust fund for the establishment of the International Environmental Technology Centre in Japan

(x) MCL - General trust fund in support of the preparation of a global assessment of mercury and its compounds

(y) MDL - Technical cooperation trust fund for UNEP implementation of the Millennium Development Goals achievement fund

(z) MHL - Technical Cooperation Trust Fund to Promote Technical Cooperation and Assistance in Industrial, Environmental and Raw Material Management (Financed by the Government of Sweden).

(aa) NFL - Technical cooperation trust fund for the implementation of the framework agreement between UNEP and Norway

(bb) PES - Trust fund for the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services

(cc) PFL - General Trust Fund in Support of the Work of the Government-Designated Group of Experts on Chemical Risk Reduction.

(dd) PGL - Technical cooperation trust fund for the implementation of the Partnership for Action on Green Economy (PAGE)

(ee) POL - General trust fund in support of the preparation for and negotiation of an internationally legally binding instrument for international action on persistent organic pollutants, and related information exchange

(ff) QGL - Support of the Global Environment Facility (GEF)

(gg) RED - Technical cooperation trust fund to support the UNEP programme of work and responsibilities of the United Nations Collaborative Programme

(hh) REL - Technical cooperation trust fund for the promotion of renewable energy in the Mediterranean region

(ii) RPL - General trust fund to support participation of developing countries in reporting on the state of the marine environment

(jj) SCP - Technical cooperation trust fund for the 10-Year Framework of Programmes on Sustainable Consumption and Production Patterns

(kk) SEL - Technical cooperation trust fund for the implementation of the agreement with Sweden

(ll) SFL - Technical cooperation trust fund for implementation of the framework agreement between Spain and UNEP

(mm) SLP - Trust fund to support the activities of the Climate and Clean Air Coalition to Reduce Short-lived Climate Pollutants

(nn) SML - General trust fund for the Strategic Approach to International Chemicals Management (SAICM) quick start programme

(oo) SRL - General trust fund for voluntary contributions in respect of the United Nations Scientific Committee on the Effects of Atomic Radiation (UNSCEAR)

(pp) UCL - Technical cooperation trust fund for enhancement of cooperation between UNEP and UNCC

(qq) UTL - Technical cooperation trust fund for the implementation of the UNEP-UNCTAD capacity-building Task Force on trade, environment and development

(rr) WPL - General trust fund to provide support to the Global Environment Monitoring System/Water Programme office

vi) Junior Professional Officer (JPO) Trust Funds

(a) TBL - Technical cooperation trust fund for provision of Junior Professional Officers (financed by the Government of Belgium)

(b) CEL - Technical cooperation trust fund for financing of Professional Officers (financed by the Government of Finland)

(c) CSL - Technical cooperation trust fund for the provision of a Senior Professional Officer to UNEP (financed by the Government of Canada)

(d) SNL - Special purpose trust fund for the provision of a Professional Officer to UNEP/SBC

(e) TCL - Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Nordic Governments through the Government of Sweden)

(f) TDL - Special purpose trust fund for the Government of Denmark agreement with UNEP for the provision of Junior Professional Officers

(g) TEL - Technical cooperation trust fund for the provision of Professional and Junior Professional Officers (financed by the Government of the United States)

(h) TGL - Special purpose trust fund for the provision of Junior Professional Officers (financed by the Government of Germany)

(i) THL - Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Government of the Netherlands)

(j) TIL - Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Government of Italy)

(k) TJL - Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Government of Japan)

(l) TKL - Technical cooperation trust fund for the provision of Professional Officers (financed by the Government of the Republic of Korea)

(m) TNL - Special purpose trust fund for the Government of Norway agreement with UNEP for the provision of Junior Professional Officers

(n) TPL - Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Spanish Agency for International Development Cooperation

(o) TRL - Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Government of France)

(p) TSL - Technical cooperation trust fund for the provision of Junior Professional Officers (financed by the Government of Sweden)

II. Trust funds in support of regional seas programmes, conventions, protocols and special funds

i) Basel, Rotterdam and Stockholm Conventions (BRS)

(a) BDL - Trust fund to assist developing countries and other countries in need of technical assistance in the implementation of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal

(b) BCL - Trust fund for the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal

(c) ROL - General Trust Fund for the operational budget of the Rotterdam Convention

(d) SCL - General trust fund for the Stockholm Convention on Persistent Organic Pollutants its subsidiary bodies and the Convention

(e) QRL - Support of the Basel Convention TF has been inactive for few years hence not covered in the accounts prepared for the CoP.

(f) RVL - General trust fund for the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade

(g) SVL - Special trust fund for the Stockholm Convention on Persistent Organic Pollutants its subsidiary bodies and the Convention

ii) Secretariat of the Caribbean Environment Programme and Cartagena Convention and its Protocols (CAR/RCU)

(a) CRL - Regional trust fund for implementation of the Action Plan for the Caribbean Environment Programme

(b) QCL - Support to Cartagena Convention Action Plan for the Caribbean Environment Programme

iii) Convention on the Protection and Sustainable Development of the Carpathians and related protocols (Carpathian Convention)

(a) CAP - Trust fund for support of the activities of the Framework Convention on the Protection and Sustainable Development of the Carpathians and related protocols,

(b) CAR - Trust fund for the core budget of the Framework Convention on the Protection and Sustainable Development of the Carpathians and related protocols,

iv) Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)

(a) CTL - Trust fund for the Convention on International Trade in Endangered Species of Wild Fauna and Flora,

(b) QTL - Support of Convention on International Trade in Endangered Species of Wild Fauna and Flora activities,

v) Convention on the Conservation of Migratory Species of Wild Animals (CMS)

(a) AVL - General trust fund in respect of the Agreement on the Conservation of African-Eurasian Migratory Water-birds (AEWA)

(b) AWL - Trust fund for the Agreement on the Conservation of African-Eurasian Migratory Water-birds

(c) BAL - Trust Fund for the Agreement on the Conservation of Small Cetaceans of the Baltics, North Eastern Atlantic, Irish and North Seas (ASCOBANS),

(d) BTL - The Trust Fund for the Agreement on Conservation of Populations of European Bats (EUROBATS),

(e) MSL - Trust Fund for the Convention of Conservation of Migratory Species of Wild Animals,

(f) MRL - Technical cooperation trust fund on the Conservation and Management of Marine Turtles and their Habitats of the Indian Ocean and South-East Asia

(g) MVL - General Trust Fund in support of the Convention of the Conservation of Migratory Species of wild animals (CMS),

(h) QFL - General Trust Fund in respect of the Agreement on Conservation of Populations of European Bats (EUROBATS),

(i) QVL - General Trust Fund in respect of the Agreement on the Conservation of Small Cetaceans of the Baltic, North Eastern Atlantic, Irish and North Seas (ASCOBANS),

(j) QWL - Support of the Convention on the Conservation of Migratory Species of Wild Animals (CMS),

(k) SMU - Trust fund to Support the activities of the secretariat of the memorandum of understanding on the conservation of migratory sharks,

vi) **Mediterranean Action Plan (MAP) to the Barcelona Convention and its Protocols**

(a) CAL - Mediterranean Trust Fund - Greek Host Country Contribution

(b) MEL - Mediterranean Trust Fund under the Barcelona Convention

(c) QML - Mediterranean Trust Fund in support of the Barcelona Convention

vii) **Regional Co-ordinating Unit for the Action Plan for the Protection, Management and Development of the Marine and Coastal Environment of the Northwest Pacific Region (NOWPAP)**

(a) QNL - Support of the North West Pacific Action Plan

(b) PNL - General trust fund for the protection, management and development of the coastal and marine environment and the resources of the North West Pacific region

viii) **Vienna Convention for the protection of the ozone layer and its Montreal Protocol (the Ozone Secretariat)**

(a) MPL - Trust Fund for the Montreal Protocol on Substances that Deplete the Ozone Layer

(b) QOL - Support of the activities of the Ozone Secretariat

(c) SOL - General trust fund for financing activities on research and observations to the Vienna Convention

(d) VCL - Trust fund for the Vienna Convention for the Protection of the Ozone Layer

ix) **East Asian Seas Action Plan for the Protection and development of the Marine and coastal areas of the East Asian Region**

(a) ESL - Regional Trust Fund for the Implementation of the Action Plan for the Protection and Development of the Marine Environment and Coastal Areas of East Asian Seas

(b) QEL - Support of the Eastern Asian Seas Action Plan

x) **Convention for Cooperation in the Protection, Management and Development of the Marine and Coastal Environment of the Atlantic Coast of the West, Central and Southern Africa Region (Abidjan Convention)**

(a) QAC - Support of the Abidjan Convention for Cooperation in the Protection and Development of the Atlantic Coast of the West, Central and Southern African Region

(b) WAL - Trust fund for the Convention for Cooperation in the Protection and Development of the West, Central and Southern African Region

xi) **Convention on Protection, Management and Development of the Marine and Coastal Environment of the Eastern African Region (Nairobi Convention)**

(a) EAL - Regional seas trust fund for the Eastern African region

(b) QAW - Support of the Nairobi Convention Action Plan for the Protection, Management and Development of the Marine and Coastal Environment of the Eastern African Region

xii) **Convention on Biological Diversity (CBD)**

(a) BEL - General Trust Fund for Additional Voluntary Contributions in Support of Approved Activities under the Convention on Biological Diversity and its Protocols

(b) BHL - Special voluntary trust fund for additional voluntary contributions in support of approved activities

(c) BIL - Special voluntary trust fund for facilitating participation of developing country parties and small island developing States and economies in transition

(d) BBL - General Trust fund for the core programme budget for the Nagoya Protocol on access and benefit sharing of genetic resources.

(e) BGL - General trust fund for the core programme budget for the Biosafety Protocol

(f) BYL - General trust fund for the Convention on Biological Diversity

(g) BXL - Special voluntary trust fund Additional voluntary contributions in support of approved activities

(h) BZL - General Trust Fund for voluntary contributions to facilitate the Participation of Parties in the Process of the Convention on Biological Diversity

(i) VBL - General Trust Fund for Voluntary contributions to facilitate the Participation of Indigenous Peoples and Local Communities in the work of the Convention of Biological Diversity

xiii) Multilateral Fund

(a) MFL - Trust Fund for the Implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer

Annex II

List of inactive trust funds as of 31 December 2016

(a) AHL - Technical cooperation trust fund to assist the implementation of Agenda 21 in Europe and to strengthen pan-European environmental cooperation (financed by the Government of the Netherlands)

(b) BKL - General trust fund for the clean-up of hotspots following the Kosovo conflicts and preparation of guidelines on assessment and remedial measures for post-conflict environmental damages

(c) BLL - General trust fund in support of the UNEP/UN-Habitat Balkans task force on environment and human settlements

(d) CIL - Technical cooperation trust fund to support the implementation of the strategic plan for remediation activities following the toxic waste incident in Abidjan, Côte d'Ivoire

(e) CWL - General trust fund for the African Ministerial Council on Water (AMCOW)

(f) DUL - General trust fund to support the activities of the Dams and Development Unit to coordinate follow-up to the World Commission on Dams

(g) EBL - General trust fund for implementing national biodiversity strategies and action plans

(h) EEL - General trust fund for environmental emergencies

(i) EGL - General Trust Fund to Establish a Secretariat for the Environment Management Group in the International Environment House, Geneva.

(j) ELL - Technical Cooperation Trust Fund to Strengthen the Institutional and Regulatory Capacity of Developing Countries in Africa (Financed by the Government of the Netherlands).

(k) EML - Technical cooperation trust fund for activities in developing countries on environmental awareness and machinery (financed by the Government of Germany)

(l) FTL - Trust Fund for revolving fund activities

(m) GAL - Technical Cooperation Trust Fund for UNEP's Implementation of Activities Funded by the United Nations International Partnership Trust Fund (UNFIP).

(n) GIL - Technical cooperation trust fund to provide experts to UNEP/GRID (financed by the Government of the United States of America)

(o) IPL - Technical cooperation trust fund to assist the implementation of the Montreal Protocol on Substances that Deplete the Ozone Layer in developing countries (financed by the Government of Sweden)

(p) LAL - General trust fund in support of the Lusaka Agreement Task Force on Cooperative Enforcement Operations Directed at Illegal Trade in Wild Fauna and Flora

(q) PPL - General trust fund in support of the preparation and negotiation of an international legally binding instrument for the application of the prior informed consent procedure for certain hazardous chemicals in international trade

(r) QRL - Support of the Basel Convention

(s) RSL - Technical cooperation trust fund to support implementation of the Rotterdam and Stockholm Conventions in developing SAL - Trust fund for the financing of the new international environment prize (Sasakawa Environment Prize)

(t) SAL - Trust Fund for the Financing of the New International Environment Prize (Sasakawa Environment Prize).

(u) VML - Technical cooperation trust fund to assist developing countries to take action for the protection of the ozone layer under the Vienna Convention and Montreal Protocol (financed by the Government of Finland)